

***The Price of Government  
and  
Budgeting for Outcomes***

***Make Results Worth the Price  
Citizens Pay***

Little Hoover Commission  
Roadmap for Reform

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“The trouble with our times is  
that the future is not what it  
used to be.”

Paul Valery, French poet

# ***Overview***

- I. The Challenge  
Gov't Is Broke and Broken
- II. Reform the Budget Game  
(The current game is for losers!)  
Set the price and buy results, don't pay for costs.
- III. Budgeting for Outcomes Tools
- IV. Make a Better Deal between Citizens and their Governments
- V. What Success Feels Like

# ***I. The Challenge***

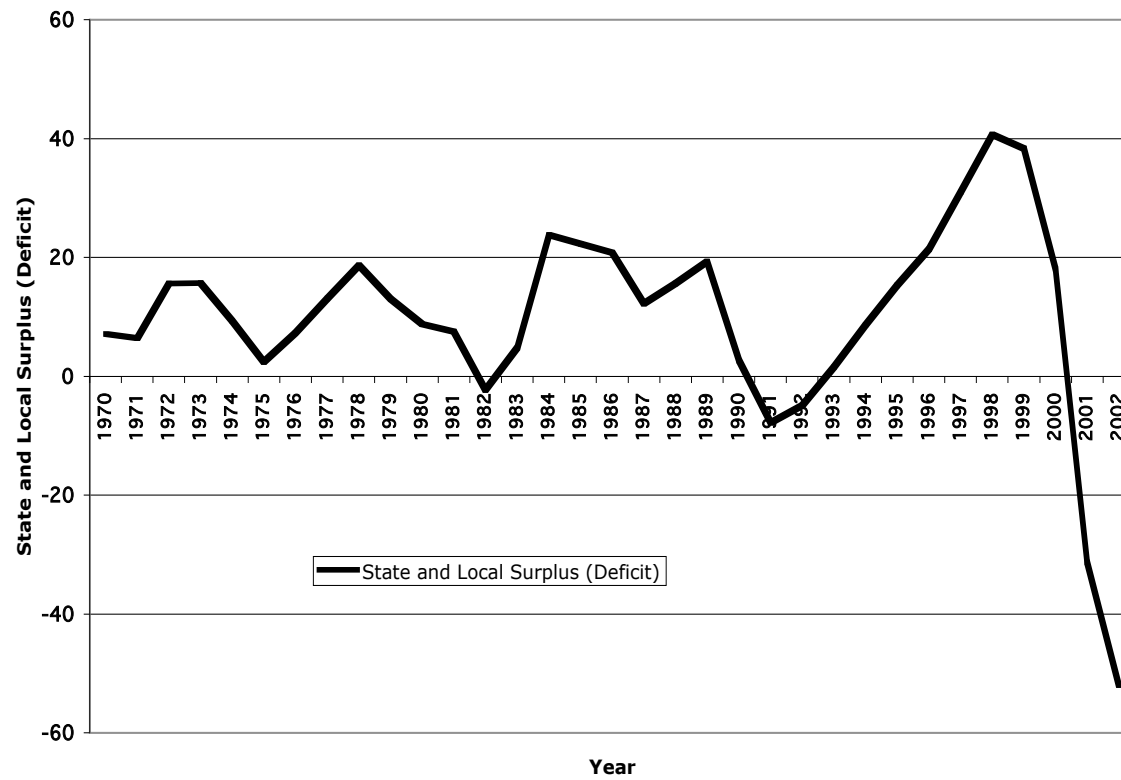
Government is **broke!** And it's going to stay that way.

Government is **broken** - losing the competition for public support.

Good management = balancing the budget - solving the math problem.

Leadership = improving service to citizens and earning their trust while balancing the budget - solving the value/ money problem.

# ***Government is Broke***



# ***Permanent Fiscal Crisis***

Public finance “perfect storm” -  
convergence of:

Increased costs to educate, medicate,  
incarcerate.

Pension obligations as population ages.

Rising debt and debt service.

Weakened revenue from tax cuts/  
resistance to increases.

# ***Government is Broken***

Public is cynical.

Government wants taxes to pay costs  
(because its broke).

Citizens pay taxes and wants results.

Government is losing the competition for  
public support.

Government will win ONLY if it delivers the  
results citizens want at the price they are  
willing to pay!

## ***II. Reform the Budget Game...or Lose***

Insanity is doing the same thing over and over again - expecting a different result!



# ***Actions governments take to balance their budgets***

## Short Term

**Steal funds from other accounts**

**Lie in accounting for spending/ revenue**

**Borrow - pay tomorrow for today's costs**

**Use reserves/ sell off assets**

**Make something up**

Temporarily cut costs

Temporarily increase revenue

## Long Term

Cut spending permanently

Increase revenue permanently

# ***The Current Game***

It's A Set Up

Cost- Based Budget

Starting Point	Last Year = BASE costs
Focus	Add/ Subtract costs re: BASE
Addition	Autopilot increases = new BASE Plus “needs”
Subtraction	“Cut” from <u>new</u> BASE

### ***The Current Game (cont')***

Submission	Justification for needs/ costs - plus a little extra
Incentives	Build up costs - make cuts hard
Analyst's job	Find hidden/ unnecessary costs
Elected's job	Choose to cut services, OR Raise taxes to cover costs <b>GET BLAMED!</b> Or Blame Someone Else!!
Debate	What to cut What to tax

## ***WA Changed the Game***

\$2.5 billion shortfall.

Budgeting by referendum.

Used up all the tricks.

And now for something completely  
different!!!!

# ***Gov. Locke Changed the Game***

## ***4 Questions That Matter***

1. How much revenue - what is the price of government we charge our citizens?
2. What results matter most to our citizens - what are the priorities of government we will deliver to citizens?
3. How much should we spend to achieve each result?
4. How can we BEST deliver the results that citizens expect?

## ***Gov. Locke Changed the Game***

Treated agency budget submissions as offers to deliver results at a price.

Measured each offer against results important to citizens - Priorities of Government.

“Bought” those offers that contributed most to the key results - left the rest.

BUDGET = the most result for the money.

# ***Gov. Locke Changed the Deal with Citizens***

Priorities of Government delivered at the Price of Government.

Results for Money.

# ***New Game***

## Budgeting for Outcomes

Starting Point	The Price of Government
Focus	Buying results - Priorities of Government
Addition	NA
Subtraction	NA



### ***New Game (cont.)***

Submission	Results to be achieved for the price
Incentives	Produce results that matter
Analyst's job	Validate or find better choices
Elected's job	<b>Choose results that citizens value at a price they are willing to pay</b>
Debate	How to get better results

## ***Price of Government***

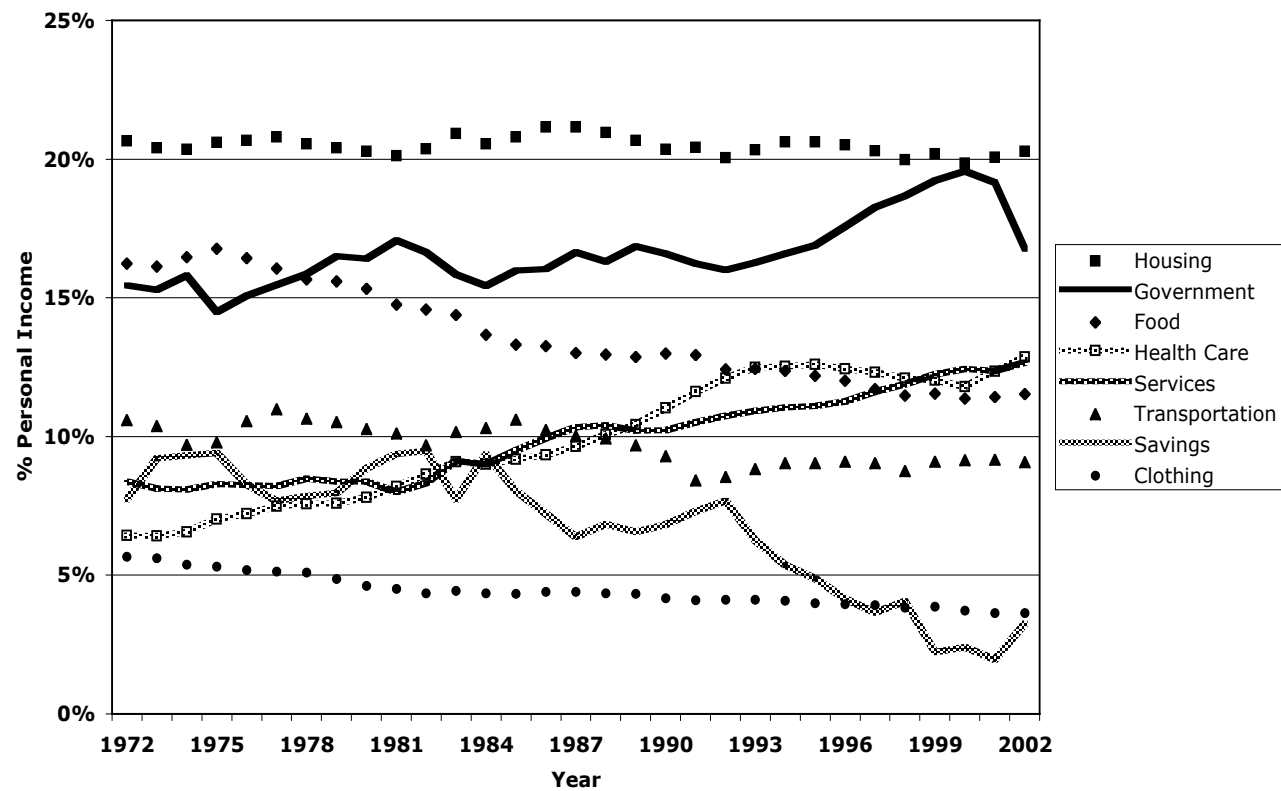
ALL taxes, fees and charges paid by  
citizens for government services

State and local

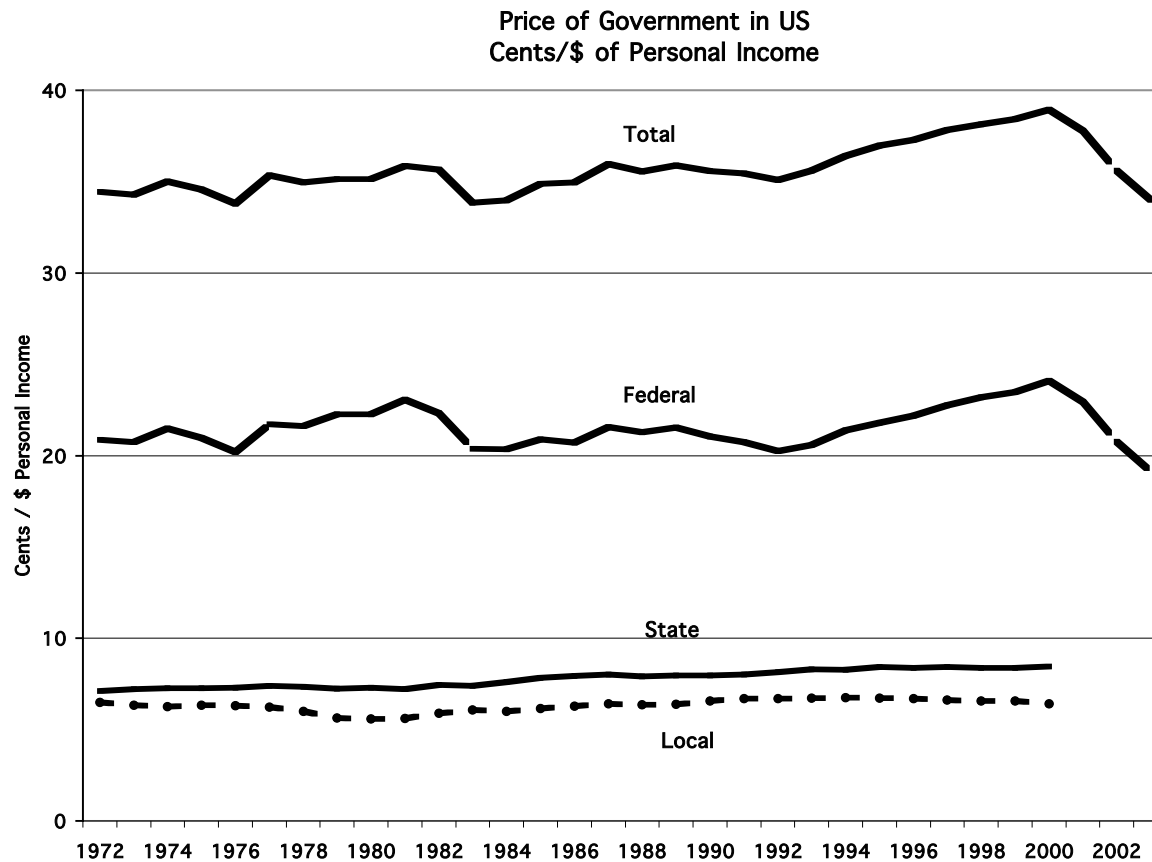
	% Rev.	% Exp.
State General Fund	40%	25%
State Dedicated Funds	20%	20%
Local	40%	55%

# Govt's Price Competition

The Price of . . .  
% Use of Personal Income

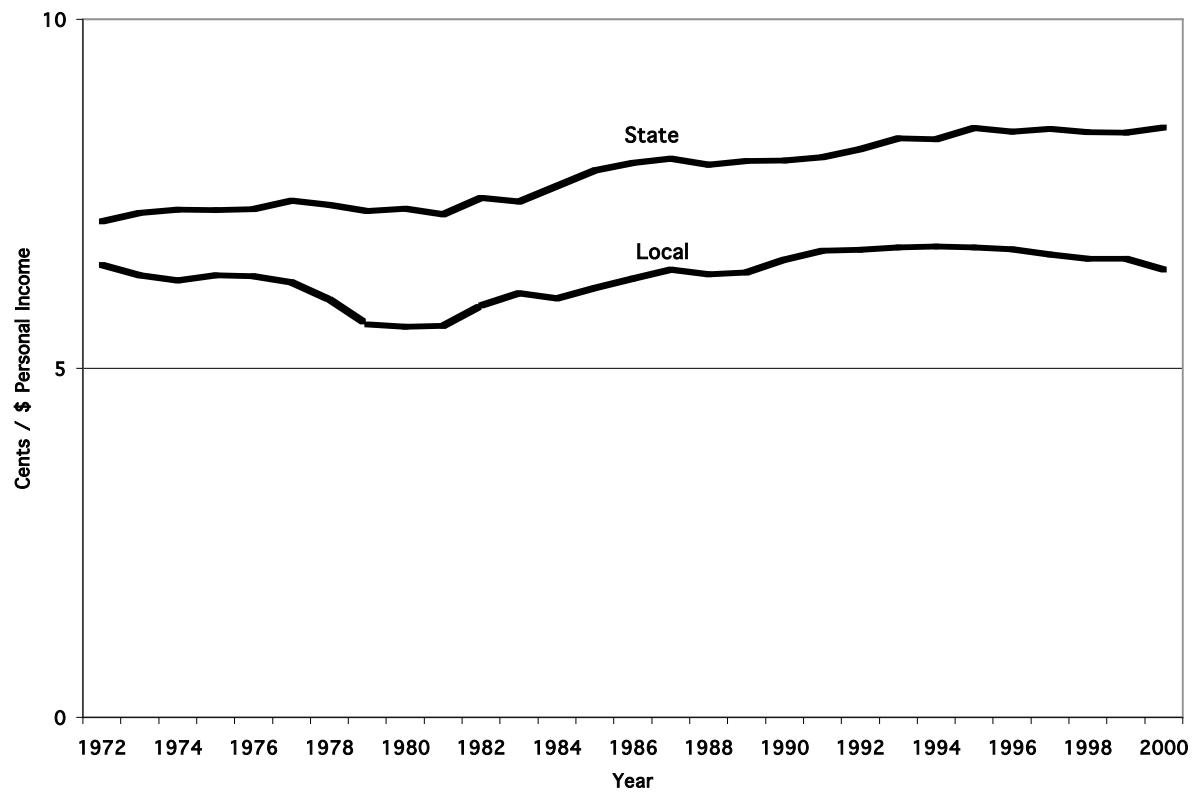


# ***Price of Government***

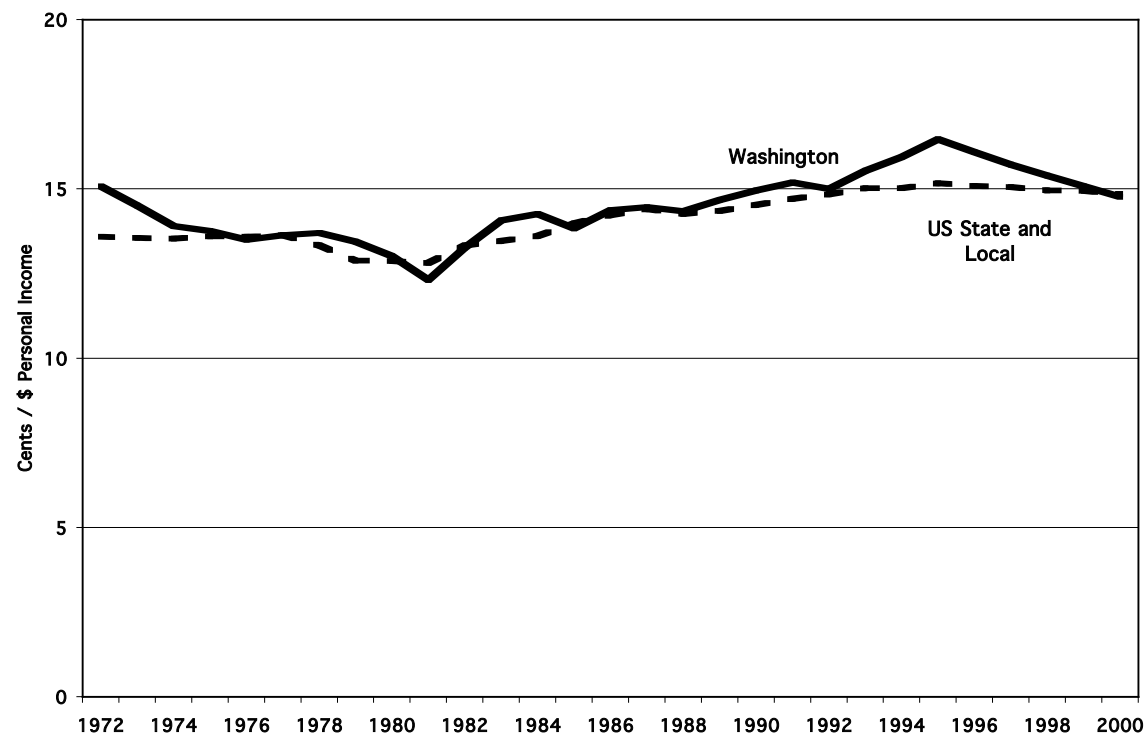


# ***Price State vs. Local***

US State and Local Price of Government



# ***WA Price of Government***



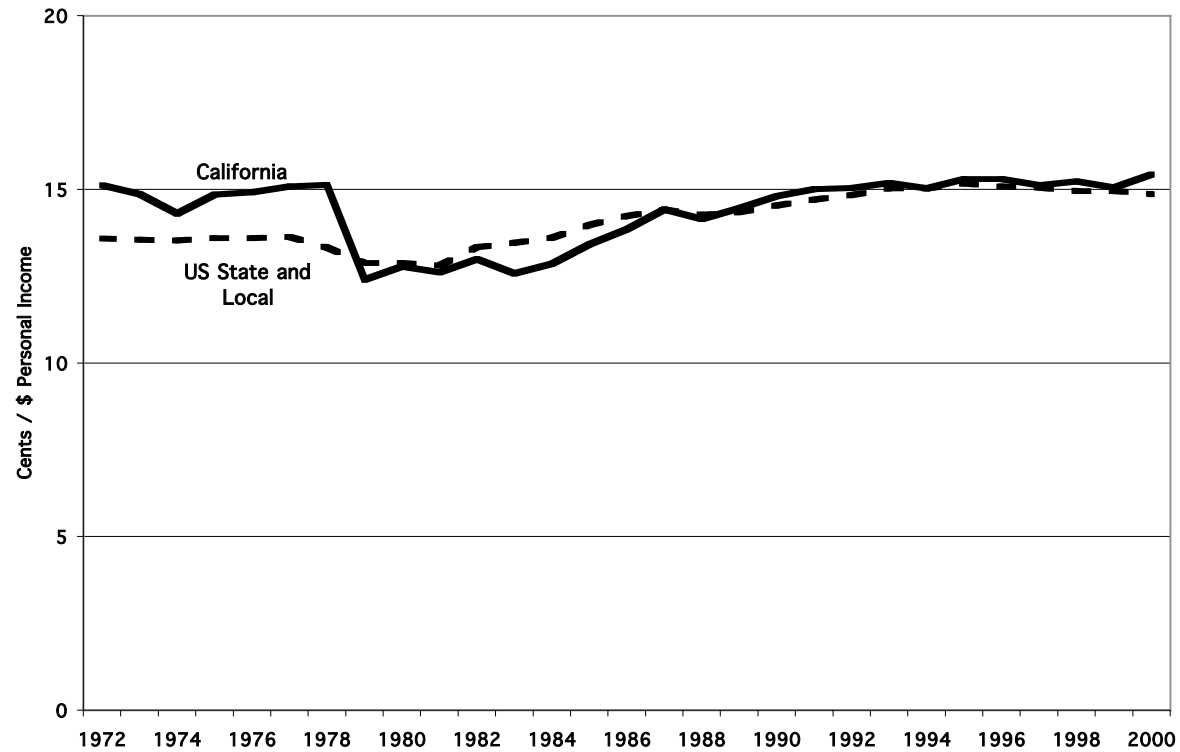
# ***Setting the Price of Government***

It's a choice

Set the price so that it is acceptable,  
adequate and competitive.

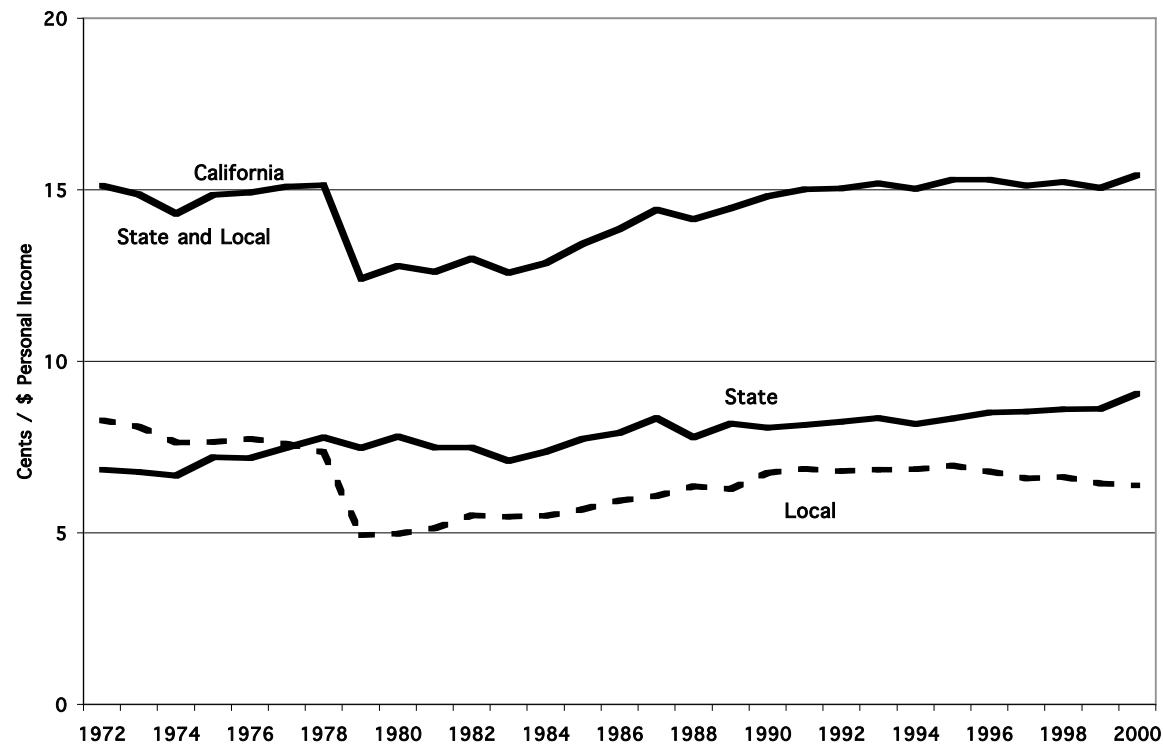
What's the right price in your state?

# ***CA Price of Government***





# ***CA Price of Government***



# ***Priorities of Government***

Results that matter most to citizens.

Results not costs, activities, programs, organizations.

Specific indicators/ measures of success - otherwise they are just good intentions.

## ***WA Priorities of Government***

Results	Indicators
Increase student achievement K-12.	
Improve the quality and productivity of the workforce.	
Deliver increased value from post secondary learning.	
Improve the health of Washingtonians.	
Improve the condition of vulnerable children and adults.	

## ***WA Priorities of Government***

Results	Indicators
Improve economic vitality.	
Improve the mobility of people, goods, information and energy.	
Improve the safety.	
Improve the quality of WA's natural resources.	
Improve cultural and recreational opportunities.	

## ***Pricing the Priorities***

How much are they each worth - not how much do they cost

It's judgment, not science

## ***WA Pricing its Priorities***

Results	
Increase student achievement K-12.	29%
Improve the quality and productivity of the workforce.	6.5%
Deliver increased value from post secondary learning.	9%
Improve the health of Washingtonians.	11%
Improve the condition of vulnerable children and adults.	10%

## ***WA Pricing its Priorities***

Results	
Improve economic vitality.	5.5%
Improve the mobility of people, goods, information and energy.	12%
Improve the safety.	8.5%
Improve the quality of WA's natural resources.	5%
Improve cultural and recreational opportunities.	3.5%

## ***Purchase Plan to Deliver Priorities at the Price***

Buyers: Executive Policy/Budget/ Results  
Teams (Buying agents for citizens)

Issue RFR - Request for Results - to sellers

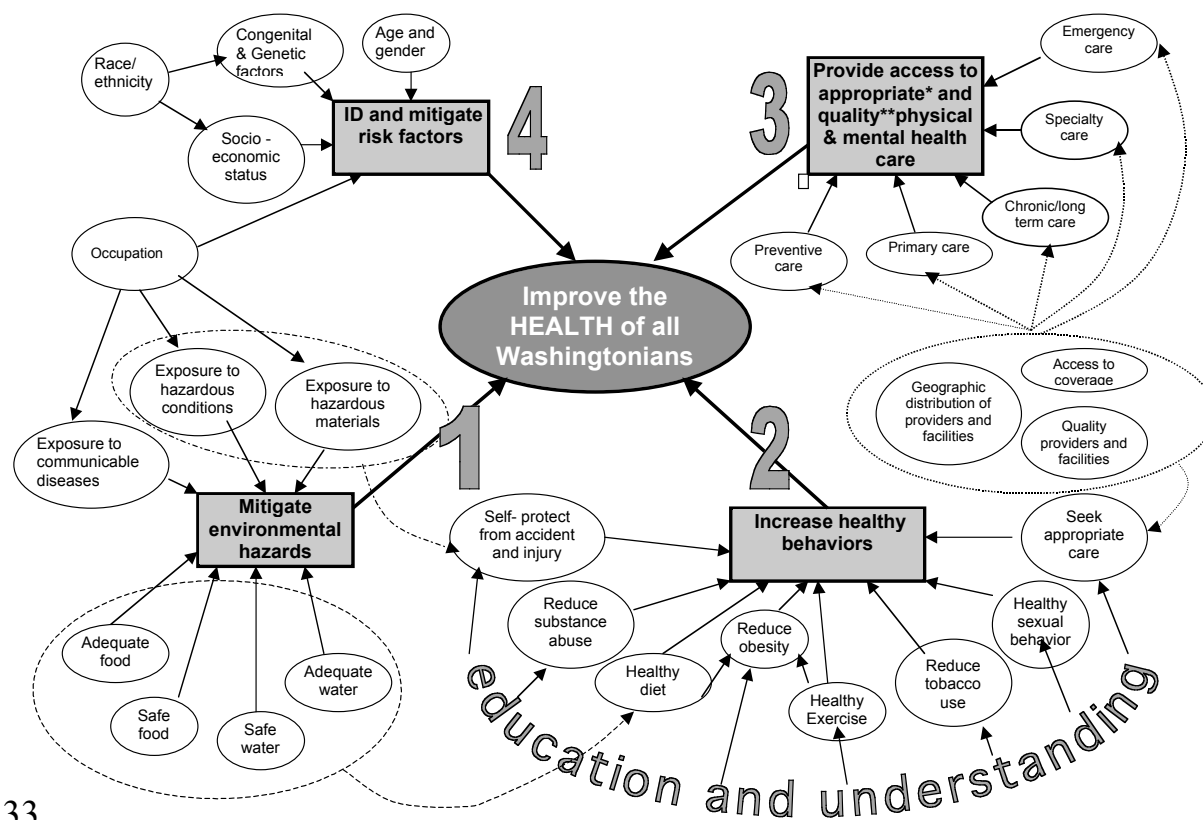
- Results map - what causes the result?
- Purchase strategy - what matters most?

Sellers : State agencies, local governments,  
non-profits, for profits - offer to deliver results at  
a price

Buyers: Rank proposals by results/money, buy  
from the top - stop when the money's gone



# Results Map - Improve Health



## ***Final Result***

Balanced budget

Focus on the 'keeps not the cuts'

Buy results not costs

Continuous reform/ improvement

New game with new rules

"Makes sense" communications

In WA - It passed!!!

### ***III. Budget for Outcomes Tools***

Smarter Sizing: It Does Matter

1. Divesting to Invest
2. Consolidating: Smart Mergers
3. Rightsizing: Right Work, Right Way, Right Staff

Smarter Spending: Buying Value, Not Cost

4. Buying Competitively
5. Rewarding Performance, Not Intentions
6. Putting Customers in the Driver's Seat
7. Not Buying Mistrust - Eliminating It

### ***III. Budget for Outcomes Tools***

Smarter Management: Reforming the Inside  
to Improve Performance on the Outside

- 8. Using Flexibility to get Accountability
- 9. Making Administrative Systems Allies, Not Enemies
- 10. Smarter Work Processes

Managing Change in an Age of Permanent  
Fiscal Crisis

- 11. Leadership for a Change
- 12. Politics: Truth, Lies and the Campaign for Public Support

## ***IV. A Better Deal between Citizens and the State***

Deliver the results they value most at the price they are willing to pay.

Budget = most value for the money.

## ***IV. A Better Deal between State and Local Governments***

Local governments impact the state's Price and Priorities of Government.

The Current Deal = Money + Mandates

New Deal = Value for Money

Differentiate state vs local priority results.

For state priorities, local governments  
OFFER budget proposals to deliver results  
at a price.

State chooses best offers.

Budget = most value for the money.

## ***V. What Success Feels Like***

**“The impossible task of cutting \$2 billion from state spending has been made possible....**

**The usual, political way to handle a projected deficit is to take last year's budget and cut. It is like taking last year's family car and reducing its weight with a blowtorch and shears. But cutting \$2 billion from this vehicle does not make it a compact; it makes it a wreck. What is wanted is a budget designed from the ground up.”**

**Seattle Times 11/18/02**

## ***V. What Success Feels Like***

**“If you want to change where a debate in the Legislature ends, change where it starts.”**

**Tacoma News Tribune 6/8/03**

**“In four hours, we have heard the whole budget presented. I understand the trade-offs considered, and the strategy chosen. This is unbelievable.”**

**Business leader on the review team**

**“The ‘brilliance’ of the POG exercise, in Representative Fred Jarrett’s view, was to reconcile everything at once instead of letting agency people or constituent groups fight to preserve all their favorite programs.”**

**Governing 9/03**



# ***Summary: Road to Reform***

Fiscal problems are not going away.

Change the budget game - or stay broke and broken.

## Budget for Outcomes

- Set the price of government.
- Define the priorities - the results that matter most to citizens.
- Set the price of each priority result.
- Plan to purchase what works/ matters most.
- Make sellers compete to deliver the most for the money.
- Buy results that deliver what citizens want at the price they are willing to pay.